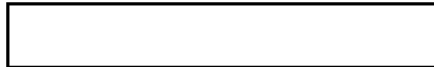


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4 January 1952

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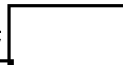


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SUMMARY

USSR

1. Moscow Embassy comments on Stalin's message to the Japanese people (page 3).

FAR EAST

2. French staff officers acknowledge intensity of Viet Minh offensive (page 3).
3. French Ambassador in Moscow foresees Chinese invasion of Thailand (page 4).

SOUTH ASIA

4. New Chinese Communist offer of foodgrains to India reported (page 5).

NEAR EAST - AFRICA

5. Comment on proposed sale of Iranian oil to Czechoslovakia (page 5).
6. Egypt urges Turkey to leave Middle East Command (page 6).

EASTERN EUROPE

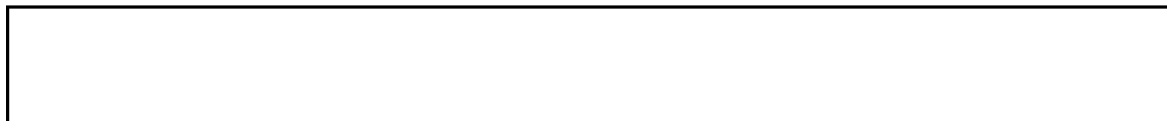
7. Popular unrest over government economic policy stirs Budapest (page 6).

WESTERN EUROPE

8. Schuman discounts Benelux opposition to European Defense Community (page 7).

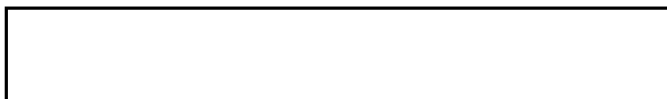
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- 2 -

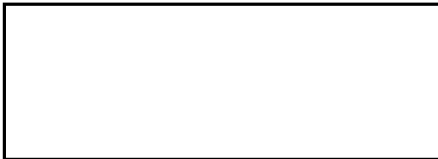
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USSR

1. Moscow Embassy comments on Stalin's message to the Japanese people:

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The US Embassy in Moscow states that Stalin's message to the Japanese people reflects the importance the USSR now attaches to alienating them from American policy in Japan and possibly increasing Japanese trade with Soviet Russia and Communist China.

The leading Moscow newspapers highlighted Stalin's tradition-breaking message, which seems to the Embassy to be a powerful appeal to Japanese socialists, intellectuals and labor unionists dissatisfied with the "separate peace." Concurrently, the Soviet press reported a Japanese newspaper interview advocating a peace movement in Japan and the necessity of trade with the Chinese Communists.

Comment: Stalin's message, obviously issued for its propaganda value, represents the latest of a number of conciliatory Soviet moves, principally of an economic nature, towards Japan since the signing of the peace treaty at San Francisco. The message, with its explanation of why the Soviet premier should address the people of another state, reflects the present weakness of the Soviet position in Japan.

FAR EAST

2. French staff officers acknowledge intensity of Viet Minh offensive:

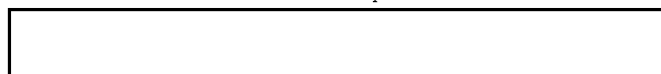
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Officers of the French General Staff in Hanoi state that Viet Minh action during December was the largest and longest sustained attack which the Viet Minh has yet been able to launch. A "tremendous" advance in Viet Minh staff-command functioning was noted, as well as greatly improved communications. The increased enemy capabilities were attributed to supplies from China.

- 3 -

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Several officers predicted that the Viet Minh, owing to the heavy losses it has sustained, would not launch another attack within a month. On the other hand, French troops are extremely tired, and mobility within the perimeter is a serious problem. Replacement of equipment is "urgently needed" -- some battalions have only one truck.

Comment: The estimate that the Viet Minh will not launch another attack within a month may be overly optimistic. The misty season in Tonkin, which is now beginning and will last intermittently until April, will considerably aid the Viet Minh by reducing the effectiveness of French air operations.

3. French Ambassador in Moscow foresees Chinese invasion of Thailand:

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[redacted]
[redacted]
a recent Chinese Communist communique, reprinted by the Soviet press, foreshadows imminent Chinese military action against Thailand.

[redacted] Peiping, convinced of the impossibility of reaching an agreement in the Korean talks, has decided not to postpone its plans for expansion in Southeast Asia. [redacted]

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[redacted] Peiping is aware of the Soviet desire to avoid global hostilities and thus prefers to attack Thailand rather than Indochina.

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Comment: The communique in question is a recent Peiping release accusing the US of transporting 70,000 Nationalist troops from Formosa to Thailand to reinforce Nationalist forces in the China-Burma border area. Peiping made similar charges of US-Thai collusion on several occasions in 1951.

In order to invade Thailand, Chinese Communist forces would have to proceed through either Burma or Indochina. In any case, there is no reliable evidence that Peiping plans to invade any area of Southeast Asia at this time.

- 4 -

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SOUTH ASIA

4. New Chinese Communist offer of foodgrains to India reported:

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[REDACTED] The Chinese Communist government states it has three million tons of milo, a coarse food-grain, and 100,000 to 200,000 tons of rice available for sale to India in 1952, according to an official in the Indian Food Ministry. The Indian official considers these figures to be inflated, but he thinks that one million tons of milo and some rice would be available.

Comment: The Chinese offer was reported to the US Embassy in New Delhi shortly after the Indian Government had announced it planned to import five million tons of foodgrains in 1952, of which one million would be required as a loan from the United States. The Indians are presumably aware of the hesitance of certain elements in the US Government to deliver even the last half of the two million tons of US foodgrains loaned to India in 1951. As they did in the past year, they may be using the present Chinese offer to ensure American consideration of their 1952 food problems.

Communist China sold India about half a million tons of milo and rice at reasonable prices in 1951 and probably has at least a million tons available this year.

NEAR EAST - AFRICA

5. Comment on proposed sale of Iranian oil to Czechoslovakia:

Arrangements were reportedly made in Tehran last week for an early visit by a Czech delegation to negotiate an oil sale agreement. Iran had announced in September that negotiations with Czechoslovakia were under way, but these never materialized. Iran's need for oil customers is greater now and it is currently emphasizing the fact that Czechoslovakia is a former customer of the Anglo-Iranian Oil Company.

- 5 -

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[REDACTED]

There is no evidence that Czechoslovakia could obtain the tankers to implement such an agreement in the near future. It is logical for the USSR to promote a Czech-Iranian agreement for its propaganda impact on Iran and the entire Near East. A small payment to Iran would also benefit Soviet policy by encouraging a continued intransigence on the part of the Mossadeq government and thus add to the deteriorating internal situation in Iran. Utilization of satellite governments for such negotiations is standard Soviet procedure.

6. Egypt urges Turkey to leave Middle East Command:

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The Egyptian Foreign Minister and the Secretary General of the Arab League have recommended to Turkey that it dissociate itself from the Middle East Command. [REDACTED]

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[REDACTED] reported that the two men accused the British of hoodwinking Turkey and America and of using the Command to perpetuate their own interests in the Near East.

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Comment: Egypt's approach to Turkey, while it will not change the government's position, is nevertheless adroitly aimed at Turkish concern over a resurgence of British power in the Near East and Turkish determination not to serve under a British Command in NATO.

The Secretary General of the Arab League, an Egyptian, has been considered friendly toward the West. His reported championing of the views of the Egyptian Foreign Minister underscores the growth of extremism in Egypt.

EASTERN EUROPE

7. Popular unrest over government economic policy stirs Budapest:

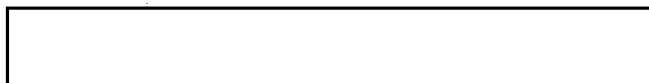
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Budapest has been swept by inflationary panic for the past two days, according to Budapest Radio. Rumors of a currency reform provoked the population into a frantic attempt to get rid

- 6 -

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[REDACTED] of large banknotes as rapidly as possible.

[REDACTED] Further evidence of widespread unrest in Hungary is the reported violence in a large Budapest body works on 23 December when employees stopped work and protested the management's failure to meet the payroll. The workers were reported to be still on strike after the holidays.

Comment: These reports and recent indications of unrest in Czechoslovakia highlight worker resentment at increasing official demands. The panic in Budapest is the culmination of widespread currency reform rumors resulting from reports that Hungarian currency printers were locked in their plants and working under forced draft. Both Hungary and Czechoslovakia are ripe for monetary reforms because of the accumulation of purchasing power caused by scarcity of consumer goods.

WESTERN EUROPE

8. Schuman discounts Benelux opposition to European Defense Community:

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[REDACTED] France, Germany and Italy are in substantial accord on the European Defense Community as a result of the recent meeting of the Foreign Ministers of the participating countries, but the

Benelux countries still object to several important points, especially the common budget. At the meeting, Chancellor Adenauer made a strong appeal to the Benelux Ministers, pointing out that without a common budget from the very beginning, they would be faced with the revival of German militarism.

French Foreign Minister Schuman believes that the creation of a European Defense Community is a certainty. He and Premier Plevin plan to visit the Benelux countries before the next Ministers' meeting in an effort to secure the necessary concessions. The French, German, and Italian leaders feel that the United States and Britain might help by "exercising persuasion."

- 7 -

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[REDACTED]

Comment: The recent meeting of the Foreign Ministers had been expected to settle the political points on which the Paris Conference has been deadlocked, but despite Schuman's optimism, these problems are still unsolved. The press release at the end of the meeting glosses over the remaining issues and implies that agreement was reached on the composition of the executive authority and its relationship to the council which will represent the national governments.

Belgium and the Netherlands can be expected to accede to the common budget, but probably only in exchange for greater national control of the executive authority.

- 8 -

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